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UNCLAS SECTION 01 OF 04 TEGUCIGALPA 000765

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SUBJECT: Congressional Staffers Visit Honduras, Question
CAFTA-DR's Impact on the Poor

1. (SBU) Summary: Five U.S. Congressional staffers, representing House Democrats, visited Honduras in late March, on a trip aimed at building support for CAFTA-DR among undecided U.S. Congressmen. The visit, which was organized by the GOH and funded by the Honduran private sector, involved visits to a textile factory (maquila) and various agricultural projects, as well as a meeting with Ambassador Palmer and the country team. The staffers' concerns centered on the impact that CAFTA-DR would have for poor and vulnerable Hondurans, especially farmers. Post is convinced that, at the conclusion of their visit, the staffers left much better informed about and more comfortable with CAFTA-DR and the benefits it could bring to both the U.S. and Honduras. End summary.

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GOH-Hosted Visits Aim to Build CAFTA-DR Support
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2. (SBU) From March 28 - April 1, five U.S. Congressional staffers visited Honduras on a trip aimed at building support for CAFTA-DR among undecided U.S. Congressmen. The visit was organized by the GOH, with funding provided by the Honduran Manufacturers' Association (AHM) and the GOH Foundation for Investment and Export Development (FIDE). This was the second such visit in the past two months and is a key part of the GOH's strategy to promote U.S. Congressional approval of CAFTA-DR. The Honduran Embassy in Washington has compiled a list of undecided Congressmen and will continue to invite staffers of these Congressmen to Honduras until CAFTA-DR comes to a vote in Washington.

3. (SBU) Post continues to fully support such visits. EconOfs accompanied the delegation for two of its four days of fact-finding, and Post arranged a country team briefing and a meeting with the Ambassador for the delegation. The informal setting fostered a frank exchange of views, allowing Post officers to identify and address the staffers' core concerns.

4. (SBU) The five staffers on this visit represented the following Congressmen:

- Congressman Ron Kind (D-WI)
- Congressman Chris Van Hollen (D-MD)
- Congressman David Price (D-NC)
- Congressman Charles Gonzalez (D-TX)
- Congressman Mark Udall (D-CO).

All five of these Congressmen have supported the recent FTAs with Chile, Singapore, Australia, and Morocco (with the single exception that Congressman Kind did not vote on the Australia FTA). However, they also all opposed TPA (Trade Promotion Authority) in 2001 (except for Congressman Van Hollen, who was not in office at the time).

5. (SBU) The staffers' four-day visit began in the northern industrial region of the country where they visited a textile factory, met with municipal officials from the town of Villanueva (near San Pedro Sula), visited successful projects of a women's micro-lending organization, and met with representatives of FIDE and the AHM. They then traveled to the agricultural Comayagua valley and the Pan-American School for Agriculture at Zamorano to discuss agricultural issues, visit agricultural diversification projects, and meet Honduran farmers who are successfully producing high-value agricultural goods for export. In Tegucigalpa, they met with Ambassador Palmer and country team members and had dinner with Minister of Trade and Industry Norman Garcia, Minister of Labor German Leitzelar, and Minister of Natural Resources and the Environment Patricia Panting. Finally, they visited the Mayan ruins at Copan to observe one of Honduras' most successful tourist attractions. EconOfs accompanied the staffers on the agricultural visits and during their time in Tegucigalpa.

Views and concerns of the staffers

16. (SBU) None of the staffers on the trip at any point expressed concerns about the commercial benefits of the agreement for the United States, nor did they at any time explicitly raise the concern that CAFTA-DR could cause jobs to move from the United States to Central America. Instead, their concerns were focused on the negative effects that CAFTA-DR may have on vulnerable Central Americans, especially farmers, and the sense that the U.S. is "rewarding" countries with inadequate protection of labor rights and environmental standards, while not doing enough to demand improved protection of those rights.

Staffers Note Strong Opposition from U.S. Labor

17. (SBU) Several staffers stressed that the Congressmen they work for are "New Democrats" who normally support free trade agreements. However, strong opposition from labor unions in the U.S. has forced them to consider voting against CAFTA-DR. One staffer recounted a meeting with a major U.S. labor union in which the union officials suggested that, if the Congressman votes for CAFTA-DR, the union will support and finance a candidate to run against him in the 2006 Democratic primary election. Another staffer told a similar story, saying that a human rights organization in his district (which is opposed to CAFTA-DR because, in its view, the violation of labor rights in the CAFTA-DR countries is a human rights issue) has said that they will run television spots denouncing the Congressman's support for CAFTA-DR if that's what it takes to convince him to oppose the agreement.

"Does CAFTA-DR really have teeth?"

18. (SBU) The concern over protection of labor rights was also reflected in the staffers' interest in CAFTA-DR's dispute settlement mechanisms. While the staffers knew a fair amount about the agreement, they seemed to still lack a clear understanding of exactly what "teeth" the agreement has in case of violations. In the meeting with the country team, one staffer expressed frustration that he had "never gotten a straight answer" to the question of how CAFTA-DR will allow the U.S. to push for greater enforcement of labor laws in the region. EconChief responded with a detailed, step-by-step explanation of CAFTA-DR's dispute settlement procedures, a description that all the staffers followed with close interest.

19. (SBU) Some were still skeptical. One staffer asked for clarification that, for the monetary assessments of CAFTA-DR to be applied, the actual government of a CAFTA-DR Party would have to bring an action - an action could not be brought by an NGO, for example. (In Post's understanding, this is correct.) He then argued that, in practice, this greatly weakens the dispute settlement mechanism, as other political concerns in the bilateral relationship might well override the trade issue in question. For example, he said, it is hard to believe that the USG would bring an action against a CAFTA-DR country if the USG were simultaneously pressing that country on a major foreign policy issue such as support for the Global War on Terror.

110. (SBU) Other staffers questioned the very approach of entering into a trade agreement with countries which have significant enforcement problems. If everyone acknowledges that Central American countries currently do an incomplete job of enforcing their labor laws, one asked, "Why reward them with increased market access now? Why not wait until they have solved the problem and grant them market access in return for real accomplishments in the future?" LabAtt reiterated a point made frequently by Honduran Minister of Labor German Leitzelar: namely, that Honduras has labor problems with or without CAFTA-DR but that CAFTA-DR (through increased investment and opportunities for greater economic growth) would give Honduras a chance to improve the labor situation, whereas the defeat of CAFTA-DR would leave Honduras with the same labor problems it has now. The staffer said there was much merit to that statement. LabAtt also emphasized DOL-funded technical assistance projects and noted that CAFTA-DR has already generated and increased the international focus on effective application of existing labor laws in Central America.

Concern for Honduran Farmers

111. (SBU) Several staffers also expressed concerns over the impact that CAFTA-DR would have on poor Honduran farmers.

While visiting agricultural diversification projects near Comayagua, one staffer spoke directly in Spanish with the farmers to elicit their views and to explain his Congressman's concerns that CAFTA-DR would lead to increased presence in the region of large agribusinesses which would put small farmers out of business.

12. (SBU) The farmers he spoke to acknowledged that these concerns are valid but also pointed to the agricultural programs in which they were participating as sufficient to counter that threat. So long as these programs exist to provide small farmers with financing and technology and to pool production from many small farms together to fill large orders, small and medium-sized farmers can indeed compete very successfully, the farmers said. (The staffers were visiting projects which do exactly that: a jalapeno pepper processing and packaging plant which buys from many small farmers and exports to the United States and a USG-funded and supported packaging plant currently being used to prepare mangoes, cucumbers, onions, and other vegetables for export.)

13. (SBU) This staffer also questioned CAFTA-DR's ability to prevent large corporations from appropriating technologies, such as seed varieties, from small farmers and patenting them for their own use, leaving the small farmers having to pay royalties for their own innovations - an apparent reference to Article 15.1.5, in which the Parties agree to provide patent protection for plant varieties, which currently cannot be patented under Honduran law. (After the visit, EconOfs received more information about these provisions of CAFTA-DR from USPTO and have passed this information on to the staffer.)

14. (SBU) At the visit to the Pan-American School for Agriculture at Zamorano, the rector, Dr. Kenneth Hoadley, delivered a presentation which focused on rural poverty alleviation in Honduras and the two scenarios that, in his view, poor Honduran farmers currently face. In the first scenario, as agricultural technology continues to raise efficiency in other parts of the world, farmers who remain protected from competition will fall further and further behind and will remain small-scale, subsistence farmers, poor indefinitely. In the second scenario, increased trade and increased diversification into value-added agriculture and agro-industry offer opportunities outside of subsistence agriculture. CAFTA-DR implementation, if coupled with trade capacity building programs and appropriate transitional assistance for these comparatively uncompetitive farmers, should help make the second scenario a reality. The staffers responded very positively to this presentation, and several requested copies to share with their members.

Countering the Myth that "CAFTA-DR is bad for Central America"

15. (SBU) Comment: While one staffer did acknowledge that he has met with agricultural groups that are in favor of CAFTA-DR, the issue of what commercial benefits the agreement could bring the U.S. seems to be playing a very small role in the decisions of these particular Congressmen. Instead, the staffers were far more concerned over the impact of the agreement in Central America. U.S. NGOs, which are opposed to CAFTA-DR, are obviously having some success in getting out the message that "CAFTA-DR will be bad for ordinary Central Americans." Fortunately, visits like this one, organized by the GOH and supported by Post, can work to counter that message by bringing staffers into contact with the very people who stand to benefit from greater economic opportunities that CAFTA-DR will bring and by letting those people speak for themselves. End comment.

Palmer